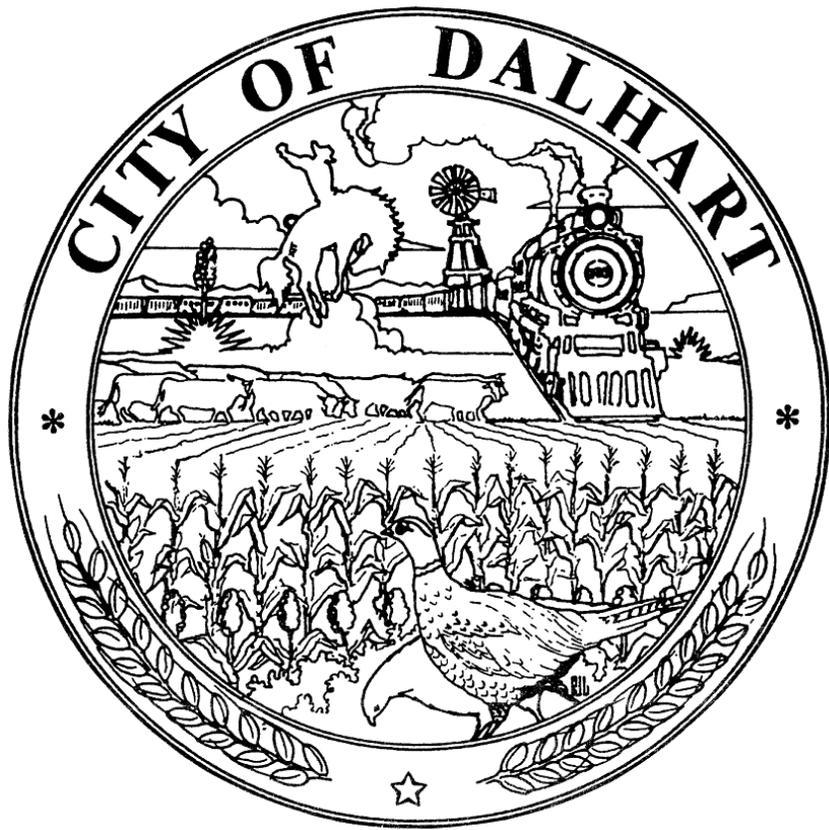


CITY OF DALHART, TEXAS

Annual Financial Report

**For the Year Ended
September 30, 2015**

**Prepared by:
The Finance Department
Director of Finance, Brent Walker**



**CITY OF DALHART, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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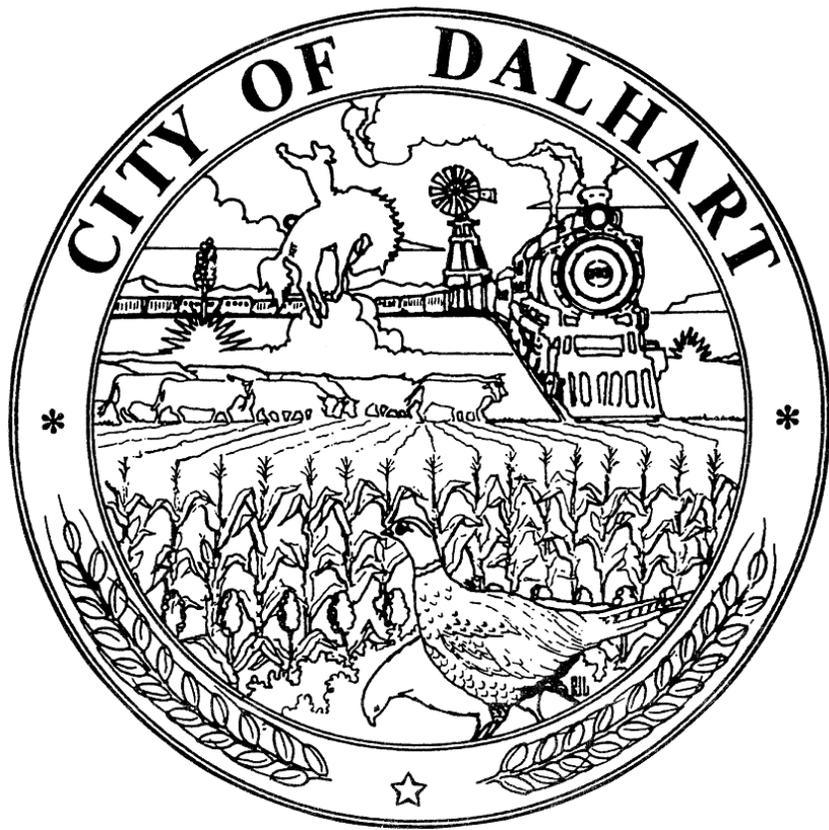
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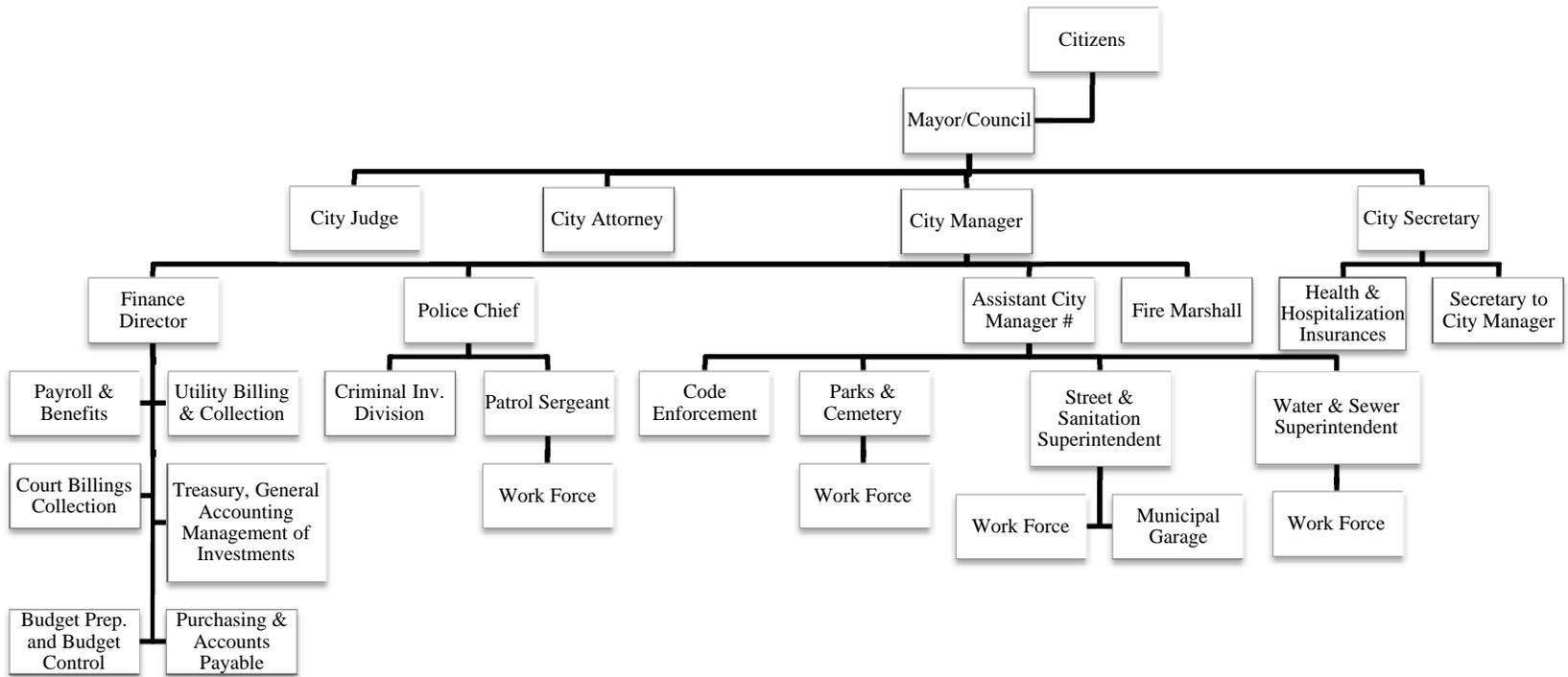
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INTRODUCTORY SECTION

CITY OF DALHART
 ORGANIZATIONAL STRUCTURE AND
 CHARTS OF AREAS OF RELATED WORK



- position is currently vacant

CITY OF DALHART, TEXAS

PRINCIPAL OFFICIALS

SEPTEMBER 30, 2015

ELECTED OFFICIALS

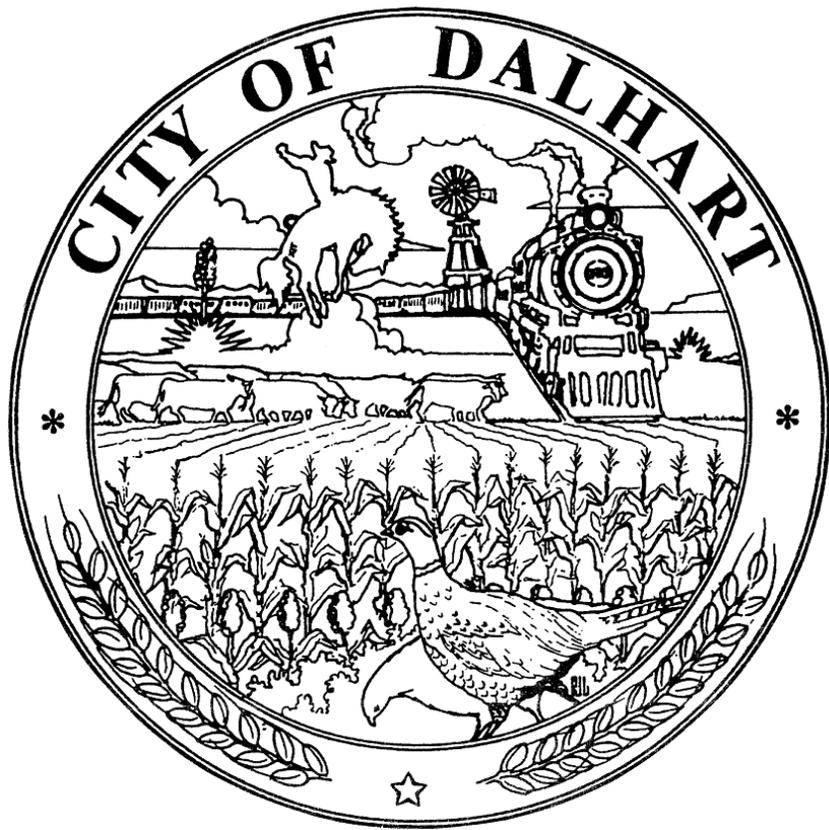
Phillip Hass
Joe Garcia
Lola Barrow
Kerry Miller
Brian Walton
Clinton Hale
Zelda Lang
Joe Garcia
Danny Smallwood
Chris Bell

Mayor
Mayor Pro-Tem
Council Member – Ward 1
Council Member – Ward 1
Council Member – Ward 2
Council Member – Ward 2
Council Member – Ward 3
Council Member – Ward 3
Council Member – Ward 3 – Mayor Pro-Tem
Council Member – Ward 4
Council Member – Ward 4

APPOINTED OFFICIALS

James Stroud
Frances Childers
Brent Walker
Gary Sinclair
Curtis Brown
Gilbert Ramirez
Dennis Rojas
Jeff Degenhart
David Gonzales
Greg Oelke
Coy Gergen

City Manager
City Secretary
Finance Director
Police Chief
Fire Marshall
Parks & Cemetery Superintendent
Public Works Director
Water & Sewer Superintendent
Street & Sanitation Superintendent
City Attorney
Municipal Court Judge



FINANCIAL SECTION



To the Honorable Mayor and City Council
of the City of Dalhart, Texas
Dalhart, Texas

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Dalhart, Texas (the "City"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the City's nonmajor governmental and fiduciary funds presented as supplementary information in the accompanying combining and individual fund financial statements and schedules as of and for the year ended September 30, 2015, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Dalhart, Texas as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above

present fairly, in all material respects, the respective financial position of each nonmajor governmental fund and fiduciary fund of the City of Dalhart, Texas, as of September 30, 2015, and the respective changes in financial position, and the budgetary comparisons of the special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

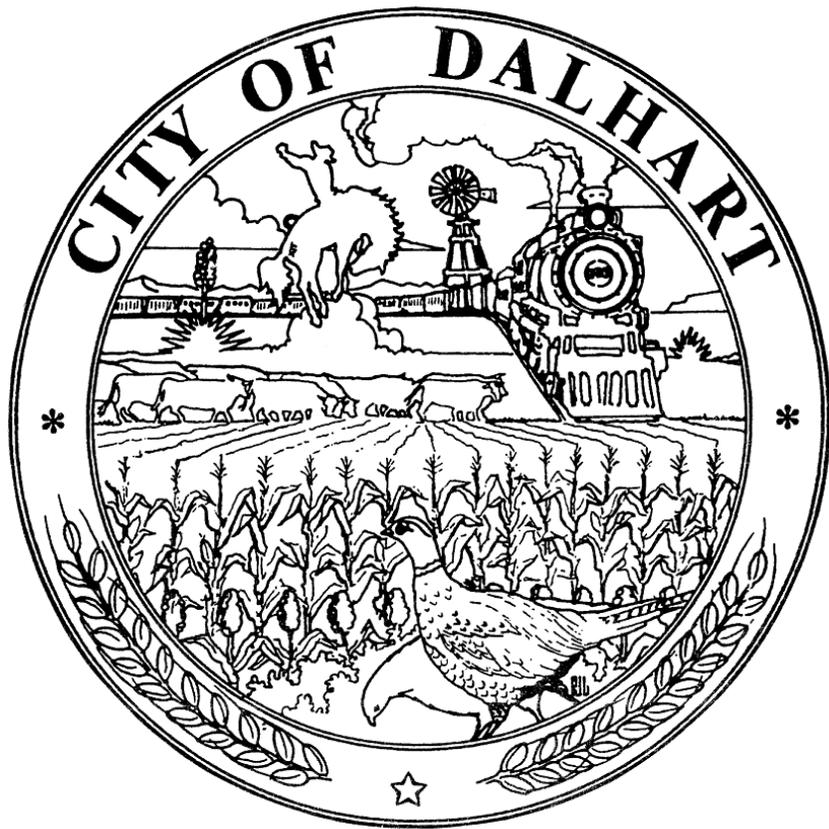
Other Information

In accordance with *Government Auditing Standards*, we have also issued a report dated January 9, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

DOSHIER, PICKENS & FRANCIS, L.L.C.

DOSHIER, PICKENS & FRANCIS, LLC

January 9, 2016



BASIC FINANCIAL STATEMENTS

CITY OF DALHART, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation
ASSETS				
Cash and cash equivalents	\$ 2,542,181	\$ 174,530	\$ 2,716,711	\$ 1,240,205
Investments	2,550,000	1,500,000	4,050,000	-
Receivables (net of allowances for uncollectible)	913,333	455,143	1,368,476	100,550
Due from primary government	-	-	-	52,577
Inventories	4,200	-	4,200	-
Prepaid items	16,903	-	16,903	-
Notes receivable, current	6,212	-	6,212	-
Notes receivable, noncurrent	23,012	-	23,012	-
Net pension asset	335,678	83,919	419,597	-
Restricted assets:				
Cash and cash equivalents	-	6,684,997	6,684,997	-
Investments	-	3,006,093	3,006,093	-
Capital assets not being depreciated:				
Land	541,457	277,869	819,326	-
Construction in progress	-	44,080	44,080	-
Capital assets, net of accumulated depreciation:				
Buildings and improvements	2,266,917	2,434,515	4,701,432	-
Vehicles	1,186,305	115,454	1,301,759	-
Machinery and equipment	612,209	1,387,606	1,999,815	-
Infrastructure	1,300,123	6,384,379	7,684,502	-
Total assets	<u>12,298,530</u>	<u>22,548,585</u>	<u>34,847,115</u>	<u>1,393,332</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	-	36,667	36,667	-
Pension contributions	81,935	13,633	95,568	-
Pension economic/demographic losses	22,439	5,610	28,049	-
Pension deficient earnings	58,664	14,666	73,330	-
Total deferred outflows of resources	<u>163,038</u>	<u>70,576</u>	<u>233,614</u>	<u>-</u>
LIABILITIES				
Accounts payable	250,221	140,591	390,812	-
Accrued liabilities	66,331	17,234	83,565	-
Deposits payable	11,910	156,610	168,520	-
Due to component unit	52,577	-	52,577	-
Accrued interest	-	32,469	32,469	-
Net pension liability	48,518	-	48,518	-
Noncurrent liabilities:				
Due within one year	10,647	922,206	932,853	-
Due in more than one year	514,858	11,242,850	11,757,708	-
Total liabilities	<u>955,062</u>	<u>12,511,960</u>	<u>13,467,022</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Pension excess earnings	9,170	-	9,170	-
Total deferred inflows of resources	<u>9,170</u>	<u>-</u>	<u>9,170</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	5,907,011	8,035,383	13,942,394	-
Restricted:				
Cemetery perpetual care - nonexpendable	265,657	-	265,657	-
Cemetery perpetual care - expendable	240,319	-	240,319	-
Economic development - expendable	-	-	-	1,393,332
Unrestricted	5,084,349	2,071,818	7,156,167	-
Total net position	<u>\$ 11,497,336</u>	<u>\$ 10,107,201</u>	<u>\$ 21,604,537</u>	<u>\$ 1,393,332</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF DALHART, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Economic Development Corporation	
					Governmental Activities	Business-Type Activities		
Primary Government:								
Governmental activities:								
General government	\$ 714,444	\$ 45,352	\$ -	\$ -	\$ (669,092)	\$ -	\$ (669,092)	\$ -
Elections	1,646	-	-	-	(1,646)	-	(1,646)	-
Public safety:								
Police	1,478,378	81,861	-	-	(1,396,517)	-	(1,396,517)	-
Fire	328,990	213,323	-	-	(115,667)	-	(115,667)	-
Ambulance	23,486	-	-	-	(23,486)	-	(23,486)	-
Street	1,254,123	-	-	-	(1,254,123)	-	(1,254,123)	-
Sanitation	893,935	1,018,253	-	-	124,318	-	124,318	-
Culture and recreation:								
Swimming pool	90,606	34,897	-	-	(55,709)	-	(55,709)	-
Parks and cemetery	667,645	141,259	110,000	1,633	(414,753)	-	(414,753)	-
Extension services								
Promotion and tourism	422,072	-	40,117	-	(381,955)	-	(381,955)	-
Total governmental activities	5,875,325	1,534,945	150,117	1,633	(4,188,630)	-	(4,188,630)	-
Business-Type Activities:								
Water and sewer	2,635,354	2,663,219	-	-	-	27,865	27,865	-
Airport	331,459	33,003	16,618	-	-	(281,838)	(281,838)	-
Total business-type activities	2,966,813	2,696,222	16,618	-	-	(253,973)	(253,973)	-
Total primary government	\$ 8,842,138	\$ 4,231,167	\$ 166,735	\$ 1,633	(4,188,630)	(253,973)	(4,442,603)	-
Component Unit:								
Economic Development Corporation	\$ 125,778	\$ -	\$ -	\$ -				(125,778)
General revenues:								
Property taxes					1,170,030	-	1,170,030	-
Sales and use taxes					1,758,660	-	1,758,660	586,220
Franchise taxes					468,968	-	468,968	-
Hotel/Motel taxes					408,889	-	408,889	-
Alcoholic beverage taxes					3,946	-	3,946	-
Unrestricted investment earnings					24,559	24,666	49,225	604
Miscellaneous					73,483	-	73,483	-
Transfers					168,550	(168,550)	-	-
Total general revenues and transfers					4,077,085	(143,884)	3,933,201	586,824
Change in net position					(111,545)	(397,857)	(509,402)	461,046
Net position - beginning					11,205,496	10,391,602	21,597,098	932,286
Prior period adjustment required by GASB 68					403,385	113,456	516,841	-
Net position - beginning as restated					11,608,881	10,505,058	22,113,939	932,286
Net position, ending					\$ 11,497,336	\$ 10,107,201	\$ 21,604,537	\$ 1,393,332

The notes to the financial statements are an integral part of this statement.

**CITY OF DALHART, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015**

	<u>General</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 2,016,540	\$ 525,641	\$ 2,542,181
Investments	2,250,000	300,000	2,550,000
Taxes receivable, net	14,734	-	14,734
Due from other funds	5,427	-	5,427
Intergovernmental receivable	301,651	-	301,651
Other receivables	536,793	60,155	596,948
Inventories	4,200	-	4,200
Prepaid items	16,903	-	16,903
Notes receivable, current	6,212	-	6,212
Notes receivable, noncurrent	23,012	-	23,012
	<u>5,175,472</u>	<u>885,796</u>	<u>6,061,268</u>
Total assets	<u>\$ 5,175,472</u>	<u>\$ 885,796</u>	<u>\$ 6,061,268</u>
LIABILITIES			
Accounts payable	\$ 172,959	\$ 77,262	\$ 250,221
Due to other funds	-	5,427	5,427
Due to component unit	52,577	-	52,577
Deposits payable	4,771	7,139	11,910
Accrued liabilities	63,547	2,784	66,331
	<u>293,854</u>	<u>92,612</u>	<u>386,466</u>
Total liabilities	<u>293,854</u>	<u>92,612</u>	<u>386,466</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-property taxes	13,007	-	13,007
Unavailable revenue-other receivables	64,571	75,849	140,420
	<u>77,578</u>	<u>75,849</u>	<u>153,427</u>
Total deferred inflows of resources	<u>77,578</u>	<u>75,849</u>	<u>153,427</u>
FUND BALANCES			
Nonspendable:			
Cemetery perpetual care	-	265,657	265,657
Inventories	4,200	-	4,200
Prepaid items	16,903	-	16,903
Restricted for:			
Cemetery perpetual care	-	240,319	240,319
Police department state training funds	-	791	791
Drug seizure	-	982	982
Municipal court technology	-	13,720	13,720
Committed to:			
Landfill assurance	419,038	-	419,038
Assigned to:			
Community development	-	87,948	87,948
Rita Blanca Park	-	95,378	95,378
City economic development	-	12,540	12,540
Unassigned	4,363,899	-	4,363,899
	<u>4,804,040</u>	<u>717,335</u>	<u>5,521,375</u>
Total fund balances	<u>4,804,040</u>	<u>717,335</u>	<u>5,521,375</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,175,472</u>	<u>\$ 885,796</u>	<u>\$ 6,061,268</u>

The notes to the financial statements are an integral part of this statement.

CITY OF DALHART, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balance - governmental funds	\$	5,521,375
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		5,907,011
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		153,427
Included in the items related to debt is the recognition of the City's proportionate share of the amounts required by GASB 68 and shown on the government-wide financial statements:		
Deferred Outflows of Resources:		
Pension contributions		81,935
Pension economic/demographic losses		22,439
Pension deficient earnings		58,664
Deferred Inflows of Resources:		
Pension excess earnings		(9,170)
Net Pension Asset		335,678
Net Pension Liability		(48,518)
Long-term liabilities, including landfill closing costs, are not due and payable in the current period, and, therefore are not reported in the funds.		<u>(525,505)</u>
Net position of governmental activities	\$	<u><u>11,497,336</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF DALHART, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>General</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes:			
Property	\$ 1,166,288	\$ -	\$ 1,166,288
Sales and use	1,758,660	-	1,758,660
Franchise	468,968	-	468,968
Hotel/Motel	-	403,073	403,073
Alcoholic beverage	3,946	-	3,946
Licenses and permits	26,810	94,023	120,833
Intergovernmental	207,323	111,999	319,322
Charges for services	1,140,219	-	1,140,219
Fines and forfeitures	76,012	-	76,012
Investment earnings	20,531	4,028	24,559
Miscellaneous	75,682	60,127	135,809
	<u>4,944,439</u>	<u>673,250</u>	<u>5,617,689</u>
EXPENDITURES			
Current:			
General government	670,366	-	670,366
Public safety:			
Police	1,362,991	1,208	1,364,199
Fire	281,231	-	281,231
Ambulance	23,486	-	23,486
Street	984,059	-	984,059
Sanitation	701,721	-	701,721
Culture and recreation:			
Swimming pool	90,606	-	90,606
Parks and cemetery	207,298	276,607	483,905
Promotion and tourism	-	449,581	449,581
Capital outlay	614,993	23,023	638,016
	<u>4,936,751</u>	<u>750,419</u>	<u>5,687,170</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>7,688</u>	<u>(77,169)</u>	<u>(69,481)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of assets	80,000	-	80,000
Transfers in	188,442	35,000	223,442
Transfers out	(35,000)	(19,892)	(54,892)
	<u>233,442</u>	<u>15,108</u>	<u>248,550</u>
NET CHANGE IN FUND BALANCES	241,130	(62,061)	179,069
FUND BALANCES - BEGINNING	<u>4,562,910</u>	<u>779,396</u>	<u>5,342,306</u>
FUND BALANCES - ENDING	<u>\$ 4,804,040</u>	<u>\$ 717,335</u>	<u>\$ 5,521,375</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF DALHART, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds	\$	179,069
<p>Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.</p> <p>This is the amount by which depreciation, \$758,546, exceeded capital outlays, \$638,016, in the current period.</p>		
		(120,530)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.</p>		
		(105,429)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		(34,350)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Landfill closure and post closure costs, net change		(19,723)
Compensated absences, net change		(48,225)
Pension contributions		18,813
Pension economic/demographic losses		22,439
Net pension deficient earnings		49,494
Net pension asset		(55,023)
Net pension liability		1,920
		<hr/>
Change in net position of governmental activities	\$	<u><u>(111,545)</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF DALHART, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 1,202,089	\$ 1,202,089	\$ 1,166,288	\$ (35,801)
Sales and use	1,580,000	1,580,000	1,758,660	178,660
Mixed beverage	1,500	1,500	3,946	2,446
Franchise	468,100	468,100	468,968	868
License and permits	17,450	17,450	26,810	9,360
Intergovernmental	200,000	200,000	207,323	7,323
Charges for services	1,072,000	1,072,000	1,140,219	68,219
Fines and forfeitures	103,300	103,300	76,012	(27,288)
Investment earnings	14,000	14,000	20,531	6,531
Miscellaneous	65,800	65,800	75,682	9,882
	<u>4,724,239</u>	<u>4,724,239</u>	<u>4,944,439</u>	<u>220,200</u>
EXPENDITURES				
Current				
General government	678,037	678,037	670,366	7,671
Public safety:				
Police	1,490,301	1,490,301	1,362,991	127,310
Fire	262,560	262,560	281,231	(18,671)
Ambulance	30,000	30,000	23,486	6,514
Street	983,850	983,850	984,059	(209)
Sanitation	730,190	730,190	701,721	28,469
Culture and recreation:				
Swimming pool	76,030	76,030	90,606	(14,576)
Parks and cemetery	208,652	208,652	207,298	1,354
Capital outlay	348,590	348,590	614,993	(266,403)
	<u>4,808,210</u>	<u>4,808,210</u>	<u>4,936,751</u>	<u>(128,541)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(83,971)</u>	<u>(83,971)</u>	<u>7,688</u>	<u>91,659</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	10,000	10,000	80,000	70,000
Transfers in	200,250	200,250	188,442	(11,808)
Transfers out	(50,000)	(50,000)	(35,000)	15,000
	<u>160,250</u>	<u>160,250</u>	<u>233,442</u>	<u>73,192</u>
NET CHANGE IN FUND BALANCE	76,279	76,279	241,130	164,851
FUND BALANCE - BEGINNING	<u>4,562,910</u>	<u>4,562,910</u>	<u>4,562,910</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 4,639,189</u>	<u>\$ 4,639,189</u>	<u>\$ 4,804,040</u>	<u>\$ 164,851</u>

The notes to the financial statements are an integral part of this statement.

CITY OF DALHART, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2015

	Business-type Activities Enterprise Funds		
	Water and Sewer	Airport	Totals
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 70,420	\$ 104,110	\$ 174,530
Investments	1,450,000	50,000	1,500,000
Receivables, net	455,104	39	455,143
Restricted cash - customer deposits	156,130	480	156,610
Restricted cash - Construction	6,528,387	-	6,528,387
Restricted investments - Construction	3,006,093	-	3,006,093
	<u>11,666,134</u>	<u>154,629</u>	<u>11,820,763</u>
Total current assets			
Noncurrent assets:			
Net pension asset	83,919	-	83,919
Capital assets:			
Land	42,445	235,424	277,869
Construction in progress	44,080	-	44,080
Buildings and improvements	190,270	4,827,570	5,017,840
Vehicles	373,935	-	373,935
Machinery and equipment	2,728,721	129,273	2,857,994
Infrastructure	14,659,559	4,405,051	19,064,610
Less accumulated depreciation	(11,965,687)	(5,026,738)	(16,992,425)
	<u>6,157,242</u>	<u>4,570,580</u>	<u>10,727,822</u>
Total noncurrent assets			
	<u>17,823,376</u>	<u>4,725,209</u>	<u>22,548,585</u>
Total assets			
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	36,667	-	36,667
Pension contributions	13,633	-	13,633
Pension economic/demographic losses	5,610	-	5,610
Pension deficient earnings	14,666	-	14,666
	<u>70,576</u>	<u>-</u>	<u>70,576</u>
Total deferred outflows of resources			
LIABILITIES			
Current liabilities:			
Accounts payable	140,315	276	140,591
Accrued liabilities	17,234	-	17,234
Accrued interest	32,469	-	32,469
Compensated absences	2,206	-	2,206
Current liabilities payable from restricted assets:			
Bonds payable	920,000	-	920,000
Customer deposits	156,130	480	156,610
	<u>1,268,354</u>	<u>756</u>	<u>1,269,110</u>
Total current liabilities			
Noncurrent liabilities:			
Compensated absences	19,850	-	19,850
Bonds payable	11,223,000	-	11,223,000
	<u>11,242,850</u>	<u>-</u>	<u>11,242,850</u>
Total noncurrent liabilities			
Total liabilities	<u>12,511,204</u>	<u>756</u>	<u>12,511,960</u>
NET POSITION			
Net investment in capital assets	3,464,803	4,570,580	8,035,383
Unrestricted	1,917,945	153,873	2,071,818
	<u>\$ 5,382,748</u>	<u>\$ 4,724,453</u>	<u>\$ 10,107,201</u>
Total net position			

The notes to the financial statements are an integral part of this statement.

CITY OF DALHART, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Business-type Activities Enterprise Funds		Totals
	Water and Sewer	Airport	
OPERATING REVENUES			
Charges for Sales and Services:			
Water sales	\$ 1,860,615	\$ -	\$ 1,860,615
Sewer charges	715,551	-	715,551
Water service charges	22,327	-	22,327
Tap fees	42,344	-	42,344
Fuel and oil commissions	-	13,129	13,129
Lease rentals	-	19,874	19,874
Miscellaneous	22,382	-	22,382
Total operating revenues	<u>2,663,219</u>	<u>33,003</u>	<u>2,696,222</u>
OPERATING EXPENSES			
Personnel services	637,156	-	637,156
Material and supplies	943,094	19,942	963,036
Contracted services	65,000	-	65,000
Depreciation and amortization	661,802	311,517	973,319
Total operating expenses	<u>2,307,052</u>	<u>331,459</u>	<u>2,638,511</u>
OPERATING INCOME (LOSS)	<u>356,167</u>	<u>(298,456)</u>	<u>57,711</u>
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental	-	16,618	16,618
Investment earnings	24,393	273	24,666
Interest expense	(328,302)	-	(328,302)
Total nonoperating revenues (expenses)	<u>(303,909)</u>	<u>16,891</u>	<u>(287,018)</u>
INCOME (LOSS) BEFORE TRANSFERS	52,258	(281,565)	(229,307)
Transfers out	(168,550)	-	(168,550)
CHANGE IN NET POSTION	<u>(116,292)</u>	<u>(281,565)</u>	<u>(397,857)</u>
NET POSITION - BEGINNING	5,385,584	5,006,018	10,391,602
PRIOR PERIOD ADJUSTMENT REQUIRED BY GASB 68	<u>113,456</u>	<u>-</u>	<u>113,456</u>
NET POSITION - BEGINNING, AS RESTATED	<u>5,499,040</u>	<u>5,006,018</u>	<u>10,505,058</u>
NET POSITION - ENDING	<u>\$ 5,382,748</u>	<u>\$ 4,724,453</u>	<u>\$ 10,107,201</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF DALHART, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Business-type Activities Enterprise Funds		
	Water and Sewer	Airport	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 2,452,510	\$ 33,003	\$ 2,485,513
Miscellaneous receipts	22,382	-	22,382
Payments to employees for salaries and benefits	(637,626)	-	(637,626)
Payments to suppliers and service providers	(938,925)	(19,869)	(958,794)
Net cash provided by operating activities	898,341	13,134	911,475
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	(168,550)	-	(168,550)
Operating grants	-	16,618	16,618
Net cash provided/(used) by noncapital financing activities	(168,550)	16,618	(151,932)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest paid on capital debt	(301,030)	-	(301,030)
Principal paid on capital debt	(330,000)	-	(330,000)
Proceeds from certificate of obligation bonds	9,673,000	-	9,673,000
Acquisition or construction of capital assets	(715,882)	(33,237)	(749,119)
Net cash provided/(used) for capital and related financing activities	8,326,088	(33,237)	8,292,851
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase investments	(3,006,093)	-	(3,006,093)
Interest on investments	25,418	273	25,691
Increase in net pension asset	13,756	-	13,756
Increase in deferred outflow of resources - economic/demographic losses	(14,666)	-	(14,666)
Increase in deferred outflow of resources - deficient earnings	(5,610)	-	(5,610)
Net cash provided/(used) by investing activities	(2,987,195)	273	(2,986,922)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVLENTS	6,068,684	(3,212)	6,065,472
CASH AND CASH EQUIVALENTS, BEGINNING (including restricted amounts)	666,403	107,802	774,205
CASH AND CASH EQUIVALENTS, ENDING (including restricted amounts)	\$ 6,735,087	\$ 104,590	\$ 6,839,677

Continued

The notes to the financial statements are an integral part of this statement.

**CITY OF DALHART, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Business-type Activities Enterprise Funds		
	Water and Sewer	Airport	Totals
Continuation			
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 356,167	\$ (298,456)	\$ 57,711
Adjustments to reconcile operating income to net cash flows from operating activities:			
Depreciation and amortization	661,802	311,517	973,319
Allowance for doubtful accounts	(36,600)	-	(36,600)
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(156,537)	-	(156,537)
(Increase) decrease in deferred outflow of resources - contributions	2,148	-	2,148
Increase (decrease) in accounts payable	69,169	73	69,242
Increase (decrease) in accrued liabilities	17,232	-	17,232
Increase (decrease) in customer deposits	4,810	-	4,810
	<u>\$ 918,191</u>	<u>\$ 13,134</u>	<u>\$ 931,325</u>
Net cash provided by operating activities			
	<u>\$ 918,191</u>	<u>\$ 13,134</u>	<u>\$ 931,325</u>
SCHEDULE OF NON-CASH CAPITAL ACTIVITIES:			
Amortization of debt refunding charges	\$ 5,500	\$ -	\$ 5,500
	<u>\$ 5,500</u>	<u>\$ -</u>	<u>\$ 5,500</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF DALHART, TEXAS
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 SEPTEMBER 30, 2015**

	Private-Purpose Trust Funds
ASSETS	
Cash and cash equivalents	\$ 596,024
Investments:	
U.S. Government securities	148,763
Certificates of deposit	1,600,000
Accrued interest	4,362
Total assets	2,349,149
NET POSITION	
Net position held in trust for scholarship benefits	\$ 2,349,149

The notes to the financial statements are an integral part of this statement.

CITY OF DALHART, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR YEAR ENDED SEPTEMBER 30, 2015

	<u>Private-Purpose Trust Funds</u>
ADDITIONS	
Investment earnings:	
Interest	\$ 18,513
Net decrease in the fair value of investments	<u>(1,824)</u>
Total investment earnings	16,689
Miscellaneous:	
Contributions	<u>566</u>
Total additions	<u>17,255</u>
DEDUCTIONS	
Scholarship grants	45,000
Bank charges	<u>198</u>
Total deductions	<u>45,198</u>
CHANGE IN NET POSITION	(27,943)
NET POSITION, BEGINNING	<u>2,377,092</u>
NET POSITION, ENDING	<u><u>\$ 2,349,149</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Description of Reporting Entity

The City of Dalhart (the “City”) operates under a charter adopted May 17, 1960, and it prescribes the “Council - Manager” form of government. The City is governed by a mayor, mayor pro-tem, and an eight-member council. The principle services accounted for as primary governmental functions include public safety, streets, sanitation, cultural and recreation, and general administrative services. In addition, the City maintains the water and sewer system and the airport facility, the operations of which are accounted for as enterprise funds.

Discretely presented component unit - The Dalhart Economic Development Corporation (the Corporation). The Corporation was organized to act on behalf of the City for the purpose of promotion, and development of industrial, manufacturing, and other economic enterprises in and around the City. Since the City has significant influence over the Corporation, it is discretely presented in the City’s Annual Financial Report. Examples of significant influence are as follows: 1) The governing body of the Corporation is appointed by the City’s Council; 2) The assets of the Corporation are managed by City employees; and 3) The Corporation’s budget is approved by the City’s Council. Complete financial statements for the Corporation may be obtained at the City’s administrative offices.

B. Basis of Presentation – Government-wide Financial Statements

The statement of net position and the statement of activities include the financial activities of the overall government. The government activities column incorporates data from governmental funds, while business-type activities incorporate data from the government’s enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As discussed earlier, the government has one discretely presented component unit. While it is not considered to be a major component unit, it is nevertheless shown in a separate column in the government-wide financial statements.

As a general rule, the effect on interfund activity has been eliminated from the government-wide financial statements. An exception to this general rule would be charges between the enterprise funds and the various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, fees, fines, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The fund financial statements provide information about the City’s funds. Separate statements are presented for each fund category; governmental, proprietary, and fiduciary. The emphasis of governmental fund financial statements is on the major governmental fund. All remaining governmental funds are aggregated and reported as nonmajor funds.

Continued

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continuation

C. Basis of Presentation – Fund Financial Statements

The City reports the following major governmental fund:

The General Fund is the City's only major fund and is its primary operating fund. It accounts for and reports all financial resources of the City except those required to be accounted for and reported in another fund.

The City reports the following enterprise funds:

The Water and Sewer Fund is to account for the provisions of water and sewer services to residents and commercial enterprises of the City and approximate area. The City maintains this fund to account for water and sewer billing and collection, maintenance and operations, extension and improvements, consumer deposits and debt service, all of which are intended to be self-supporting through user charges.

The Airport Fund is to account for the operation of the Dalhart Airport. In addition to providing runways and related facilities, the Airport includes improvements built by the Federal government for an Air Force Base, which were returned to the City during the 1940's. These facilities, together with later additions, are leased to commercial tenants for warehousing.

In addition, the City reports the following fund types:

Special Revenue Funds: These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Permanent Fund: The Cemetery Care Fund accounts for and reports sales of lots and contributions received and held in trust for perpetual care of the cemetery grounds.

Private Purpose Trust Funds: The Cleo Jenkins Scholarship Fund and the Bonnie Dejarnett Scholarship Fund account for and report funds received from the Cleo Jenkins Estate and Bonnie Dejarnett Estate that are being held in trust to be used for advancing higher education for the citizens of Dallam and Hartley Counties.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in government activities are eliminated so that only the net amount is included as transfers in the government activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Continued

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenues in the year for which they are levied. Grants, entitlements, and donations are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as they are both measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they generally are not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Expenditures are recorded when the related liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the City incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the City's policy to use restricted resources first, then unrestricted resources.

The proprietary, permanent trust, and private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

E. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Hotel/Motel Occupancy Tax Fund, Community Development Fund, Rita Blanca Park, City Economic Development Fund, and the Cemetery Care Fund.

The appropriated budget is prepared by fund and department, which is the legal level of budgetary control.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed contracts for goods and services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget.

Continued

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

E. Budgetary Information – Continuation

For the fiscal year, expenditures exceeded appropriations for fire (\$18,671), street (\$209), swimming pool (\$14,576), and capital outlays (\$266,403) in the General Fund. This overspending was covered partially by underspending in various departments within the General Fund as well as additional revenues received in the current year.

Overspending the appropriation in the Hotel/Motel Occupancy Tax Fund by \$107,071 was covered by accumulated fund balance.

Overspending the appropriation in the Rita Blanca Park Fund by \$76,548 was covered by accumulated fund balance.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

b. Investments

Investments which include U.S. agency obligations are reported at fair value. Investments in certificate of deposit are valued at cost as they are nonparticipating investments in which the value does not vary with market interest rate changes. City funds invested in Texas “Pools” which are established under the authority of the Interlocal Cooperative Act, Chapter 79 of the Texas Government Code. The City’s investments in these pooled funds are reported at an amount determined by the fair value per share of the Pool’s underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value (which approximates fair value). A 2a7-like pool is one which is not registered with the Securities and Exchange Commission as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940.

c. Receivables and Payables

Amounts are aggregated into a single receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. The allowance is based on historical experiences.

Payables consist of vendor obligations for goods and services.

d. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies, vehicle repair parts, and fuel. The cost of such inventories is recorded as expenditures/expenses when consumed rather when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Continued

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance – Continuation

e. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Vehicles and machinery and equipment related assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Buildings and improvements are defined by the government as assets with an initial, individual cost of more than \$25,000 and an estimated useful life in excess of two years. Infrastructure assets are defined by the government as assets with an initial, individual cost of more than \$50,000 and an estimated useful life in excess of two years.

Land is not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	6-50 years
Vehicles	3-15 years
Machinery and other equipment	3-20 years
Infrastructure	10-50 years

f. Interfund activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation in the government wide statements. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefitting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single “Transfers” line on government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single “Internal Balances” line of government-wide statement of net position.

g. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

h. Debt Issuance Costs

The costs of issuing bonded debt or certificates of obligation for proprietary fund types are expensed as incurred.

Continued

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance – Continuation

i. Deferred Outflows/Inflows of Resources

The statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports a deferred charge on refunding as well as the applicable amounts related to the implementation of GASB 68 on the statement of net position.

The statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of item, which arise only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, unavailable revenue is reported only in the governmental funds balance sheet. The City funds report unavailable revenues from two sources: property taxes and street assessment receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other items that qualifies as a deferred inflow is related to the City's pension plan reported in the government-wide statement of net position.

j. Pensions

For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's Texas Municipal Retirement System Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

k. Net Position

In government-wide financial statements, net position is classified and displayed in three categories:

Net Investment in Capital Assets – this amount consists of capital assets net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds.

Restricted – this amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments, enabling legislation, or constitutional provisions.

Unrestricted – this amount includes all amounts that comprise net position that do not meet the definition of “net investment in capital assets” or “restricted”.

At times, the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Continued

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance – Continuation

1. Fund Balance

Fund balance is reported in five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Non-spendable fund balance – (inherently not spendable)

Includes amounts that will never convert to cash or will not convert to cash in the current period, such as inventory, supplies, long-term portion of loans and non-financial assets held for resale or principal of an endowment.

Restricted fund balance – (externally enforceable limitations on use)

Includes amounts that can be spent only for specific purposes stipulated by external resource providers either constitutionally or through enabling legislation. Examples include grants, court receipt restrictions (municipal technology fund) or charter restrictions.

Committed fund balance – (self-imposed limitations)

Includes amounts that can be used for the specific purposes determined by a formal action of the City Council in form of a resolution. Commitments may be changed or lifted only by taking the same formal action that imposed the constraints originally.

Assigned fund balance – (limitation resulting from management's intended use)

Comprises amounts intended to be used for a specific purpose, as expressed by City Council, by a designated official or committee. By adopting this policy the City Council has hereby authorized the City Manager as the official to assign fund balance to a specific purpose. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed, as it is intended to be used for the purpose of that fund.

Unassigned fund balance – (residual net resources)

This is the excess of total fund balance over non-spendable, restricted, committed, and assigned fund balance. Unassigned amounts are technically available for any purpose.

Order of Expenditure of Funds:

When multiple categories of fund balances are available for expenditure (for example, a construction project is funded partly by grant money, funds set aside by the City Council, and unassigned fund balance) the City will start with the most restricted category first until depleted before moving to the next category with available funds. Spendable fund categories in order of most restricted to least restricted are: Restricted, Committed, Assigned, and Unassigned.

Minimum Unassigned Fund Balance:

It is the goal of the City of Dalhart to achieve and maintain a minimum unassigned fund balance in the General Fund to ensure that there will be adequate liquid resources in the event of unanticipated circumstances and events. The minimum unassigned fund balance is set at 25% of budgeted expenditures for the fiscal year, providing for approximately 90 days of estimated expenditures.

Continued

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance – Continuation

1. Fund Balance – Continuation

Designated Circumstances:

The minimum unassigned fund balance may be spent under these extreme circumstances:

1. Natural disasters, including but not limited to tornados, fire or flood.
2. Opportunities for a grant in which the matching portion may require a portion of the minimum unassigned fund balance.
3. Shortfall in the budgeted revenue in excess of 20%
4. Unforeseeable expenditures in excess of 20% over budget.
5. When unforeseen circumstances or emergencies in another fund require a fund transfer from the general fund.

Replenishment of Minimum Unassigned Fund Balance:

1. When designated circumstances have reduced the unassigned fund balance below the targeted minimum level, the replenishment is to occur within 12 months.
2. Depending on the severity of the reduction of the minimum unassigned fund balance the following measures will be taken to replenish the minimum unassigned fund balance:
 - a) Should calculations reveal that the minimum unassigned fund balance will be replenished through normal activity within the next 12 months no action is necessary
 - b) Reduction of expenditures
 - c) Delay of capital purchases
 - d) Increase in fees and/or taxes
 - e) Salary freeze
 - f) Hiring freeze

G. Revenues and Expenditures/Expenses

a. Program Revenues

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or program. All taxes are reported as general revenues rather than as program revenues.

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Continued

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

G. Revenues and Expenditures/Expenses – Continuation

c. Compensated Absences

The City provides for its full-time employees annual leave of two, three or four weeks, depending upon years of service with the City. Unpaid vacation leave of \$104,722, \$1,745 and \$22,056 have been recorded in the General Fund, Rita Blanca Lake Fund and the Water and Sewer Fund respectively.

d. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expense not meeting this definition are reported as non-operating revenues and expenses.

H. Compliance and Accountability

a. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

Violation

In the General Fund, actual expenditures exceeded the budget in the Fire, Street, Swimming Pool, and Capital Outlay functions in the amounts of \$18,671, \$209, \$14,576, and \$266,403, respectively.

Action Taken

The over expenditures were covered by additional revenues received.

Continued

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

I. Implementation of New Standards

The City implemented Governmental Accounting Standards Board (GASB) No. 68, *Accounting and Financial Reporting for Pensions*. This standard requires government employers to recognize as a liability, for the first time, their long-term obligation for pension benefits. The employer liability is to be measured as the difference between the present value of projected benefit payments to be provided through the pension plan for past periods of service less the amount of the pension plan's fiduciary net position. The standard also requires more immediate recognition of annual service cost, interest and changes in benefits for pension expense; specifies requirements for discount rates, attribution methods; and changes disclosure requirements.

NOTE 2 – DEPOSITS AND INVESTMENTS

Following is a reconciliation of the City's cash and deposit balances as of September 30, 2015:

Cash and deposit balances consist of:

Petty cash funds	\$	725
Bank deposits		1,455,131
Temporary investments - TexPool (interest rate 0.0026%)		9,679,420
Temporary investments - Texas LOGIC (interest rate 0.0795%)		83,632
Temporary investments - TexStar (interest rate 0.0317%)		19,029
		19,029
Total	\$	11,237,937

Cash and deposit balances are reported in the basic financial statements as follows:

Government-wide Statement of Net Position:

Unrestricted	\$	2,716,711
Restricted		6,684,997
Component unit		1,240,205
Fiduciary Funds Statement of Net Position		596,024
		596,024
Total	\$	11,237,937

Custodial credit risk – deposits. As of September 30, 2015 the carrying amount of the City's deposits with financial institutions was \$7,105,131, which includes \$5,650,000 of certificates of deposit considered to be investments, and the bank balance was \$7,108,228. Of the bank balance, \$4,666,672 was insured through the Federal Depository Insurance Corporation (FDIC) and \$2,441,556 was collateralized with securities held by the pledging institution's agent in the City's name

As of September 30, 2015, the City had \$9,679,420, \$83,632 and \$19,029, respectively invested with the Texas Treasury Safekeeping Trust Company (TexPool), Texas LOGIC, and TexStar. All three of these funds are public funds investment pools created pursuant to the Interlocal Cooperation Act of the State of Texas. The State Comptroller of Public Accounts exercises oversight responsibility over all three funds. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally the State Comptroller has established an advisory board composed of both participants of the pools and other persons who do not have a business relationship with any pool. The advisory board members review the investment policy and management fee structure.

Continued

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 2 – DEPOSITS AND INVESTMENTS – Continuation

All three investment pools operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Act of 1940. The pools use amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in the pools is the same as the value of the shares.

Following is a reconciliation of the City’s investment balances as of September 30, 2015:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Governmental activities		
Certificates of deposit (interest rates at 0.25 - 2.30%)	\$ 5,650,000	608
U.S. Government Securities (interest rates at 0.33 - 1.08%)	<u>3,154,856</u>	<u>156</u>
Total fair value	<u>\$ 8,804,856</u>	
Portfolio weighted average maturity		<u>764</u>

Investments balances are reported in the basic financial statements as follows:

	<u>Certificates of Deposit</u>	<u>U.S. Government Securities</u>
Government-wide Statement of Net Position:		
Unrestricted	\$ 4,050,000	\$ -
Restricted	-	3,006,093
Fiduciary Funds Statement of Net Position	<u>1,600,000</u>	<u>148,763</u>
	<u>\$ 5,650,000</u>	<u>\$ 3,154,856</u>

Interest rate risk is the risk that adverse changes in interest rates will result in an adverse effect on the fair value of an investment. The City manages its exposure to interest rate risk by limiting the weighted average maturity of its investment portfolio to three years or less.

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. State law and City policy limit investments in local government pools to those rated no lower than AAA or an equivalent rating by at least on nationally recognized rating service.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. As of September 30, 2015, 33% of the City’s carrying value of cash was deposited in pooled investment accounts and 64% of the City’s investments were comprised of certificates of deposits that are deposited with the City’s banks and adequately secured as described above.

Continued

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 2 – DEPOSITS AND INVESTMENTS – Continuation

Investment Accounting Policy

All investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term “short-term” refers investments which have a remaining term of one year or less at time of purchase. The term “nonparticipating” means that the investment’s value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest earning investment contracts.

Public Funds Investment Pools

Public funds investment pools in Texas (“Pools”) are established under the authority of the Interlocal Cooperative Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the “Act”), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the fair value of its underlying investment portfolio within one half of one percent of the value of its shares.

The City’s investments in Pools are reported at an amount determined by the fair value per share of the Pool’s underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission (“SEC”) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940.

The investment pools (Texpool, TexStar, and Texas LOGIC) as shown above are 2a7-like pools and are reported by the City at share value, which equates with fair value per share. Financial statements of the pools may be obtained by calling 1-800-839-7827.

The investments in U.S. Agency Obligations are reported at fair value.

During fiscal year 2015, the City had realized losses on sales of investments in the amount of \$1,872. The calculation of realized gains and losses is independent of the calculation of the net increase or decrease in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The net decrease in the fair value of investments during 2015 was \$4,879. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized loss on investments held at year-end was \$3,643.

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 3 – RECEIVABLES

Receivables for the governmental (general and nonmajor funds) and business-type activities (water and sewer, airport funds) in the aggregate including the applicable allowance for uncollectible accounts as follows:

Receivable	Governmental		Business-type		Total
	General	Nonmajor	Water & Sewer	Airport	
Accounts	\$ 389,068	\$ 59,360	\$ 458,580	\$ -	\$ 907,008
Property taxes	27,527	-	-	-	27,527
Sales taxes	301,651	-	-	-	301,651
Franchise taxes	104,457	-	-	-	104,457
Paving assessment	100,242	-	-	-	100,242
Interest	3,848	795	2,024	39	6,707
Total receivable	926,793	60,155	460,604	39	1,447,591
Less: Allowance for uncollectible	73,615	-	5,500	-	79,115
Net receivable	<u>\$ 853,178</u>	<u>\$ 60,155</u>	<u>\$ 455,104</u>	<u>\$ 39</u>	<u>\$ 1,368,477</u>

NOTE 4 – NOTES RECEIVABLE

The City has notes receivable from property owners for street paving assessments. These notes have interest rates of 3% with terms of from sixty to ninety-six months, and are collateralized by liens on the related property.

The following table shows the schedule of principal retirements on the notes:

Year Ending September 30	Principal
2016	\$ 6,212
2017	6,401
2018	5,040
2019	4,512
2020	4,650
2021-2025	2,408
	<u>\$ 29,224</u>

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2015, was as follows:

Governmental Activities:

	Beginning Balances	Increases	Decreases	Transfers / Reclassifications	Ending Balances
Capital assets not being depreciated:					
Land	\$ 541,457	\$ -	\$ -	\$ -	\$ 541,457
Total capital assets not being depreciated	<u>541,457</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>541,457</u>
Capital assets being depreciated:					
Buildings and improvements	4,829,895	38,991	-	-	4,868,886
Vehicles	3,980,968	408,713	(243,297)	-	4,146,384
Machinery and equipment	2,185,815	190,311	-	-	2,376,126
Infrastructure	5,822,849	-	-	-	5,822,849
Total capital assets being depreciated	<u>16,819,527</u>	<u>638,015</u>	<u>(243,297)</u>	<u>-</u>	<u>17,214,245</u>
Less accumulated depreciation for:					
Buildings and improvements	(2,421,962)	(180,007)	-	-	(2,601,969)
Vehicles	(2,843,447)	(254,500)	137,868	-	(2,960,079)
Machinery and equipment	(1,616,688)	(147,229)	-	-	(1,763,917)
Infrastructure	(4,345,916)	(176,810)	-	-	(4,522,726)
Total accumulated depreciation	<u>(11,228,013)</u>	<u>(758,546)</u>	<u>137,868</u>	<u>-</u>	<u>(11,848,691)</u>
Total capital assets being depreciated, net	<u>5,591,514</u>	<u>(120,531)</u>	<u>(105,429)</u>	<u>-</u>	<u>5,365,554</u>
Governmental activities capital assets, net	<u>\$ 6,132,971</u>	<u>\$ (120,531)</u>	<u>\$ (105,429)</u>	<u>\$ -</u>	<u>\$ 5,907,011</u>

Continued

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 5 – CAPITAL ASSETS - Continuation

Governmental Activities: Continuation

Depreciation expense was charged to the functions/programs of the governmental activities of the primary government as follows:

Governmental activities:	
General government	\$ 14,810
Public safety:	
Fire	58,330
Police	101,510
Street	256,279
Sanitation	145,860
Culture and recreation:	
Swimming pool	29,171
Parks and cemetery	<u>152,586</u>
 Total depreciation expense-governmental activities	 <u><u>\$ 758,546</u></u>

Business-Type Activities:

	Beginning Balances	Increases	Decreases	Transfers / Reclassification	Ending Balances
Capital assets not being depreciated:					
Land	\$ 277,869	\$ -	\$ -	\$ -	\$ 277,869
Construction in progress	<u>-</u>	<u>44,080</u>	<u>-</u>	<u>-</u>	<u>44,080</u>
Total capital assets not being depreciated	<u>277,869</u>	<u>44,080</u>	<u>-</u>	<u>-</u>	<u>321,949</u>
Capital assets being depreciated:					
Buildings and improvements	5,017,840	-	-	-	5,017,840
Vehicles	349,149	24,786	-	-	373,935
Machinery and equipment	2,250,900	647,015	(39,921)	-	2,857,994
Infrastructure	<u>19,031,372</u>	<u>33,238</u>	<u>-</u>	<u>-</u>	<u>19,064,610</u>
Total capital assets being depreciated	<u>26,649,261</u>	<u>705,039</u>	<u>(39,921)</u>	<u>-</u>	<u>27,314,379</u>
Less accumulated depreciation for:					
Buildings and improvements	(2,449,693)	(133,632)	-	-	(2,583,325)
Vehicles	(223,790)	(34,691)	-	-	(258,481)
Machinery and equipment	(1,359,223)	(151,086)	39,921	-	(1,470,388)
Infrastructure	<u>(12,031,821)</u>	<u>(648,410)</u>	<u>-</u>	<u>-</u>	<u>(12,680,231)</u>
Total accumulated depreciation	<u>(16,064,527)</u>	<u>(967,819)</u>	<u>39,921</u>	<u>-</u>	<u>(16,992,425)</u>
Total capital assets being depreciated, net	<u>10,584,734</u>	<u>(262,780)</u>	<u>-</u>	<u>-</u>	<u>10,321,954</u>
Business-type activities capital assets, net	<u><u>\$ 10,862,603</u></u>	<u><u>\$ (218,700)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 10,643,903</u></u>

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Individual Fund Interfund Receivables and Payables

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 5,427	\$ -
Special Revenue Funds:		
Rita Blanca Park	-	5,427
	<u>\$ 5,427</u>	<u>\$ 5,427</u>

The primary purpose of interfund receivables and payables is the loaning of funds from the General Fund to Special Revenue Funds for the purpose of meeting current year expenditures.

Fund	Interfund Transfers In	Interfund Transfers Out
General Fund	\$ 188,442	\$ 35,000
Special Revenue Fund:		
Rita Blanca Park	35,000	-
Cemetery Care	-	19,892
Proprietary Fund:		
Water and Sewer	-	168,550
	<u>\$ 223,442</u>	<u>\$ 223,442</u>

The primary purpose for interfund transfers is to supplement the resources of the non-major funds and to reimburse the General Fund for expenditures on behalf of the non-major funds.

NOTE 7 – LONG-TERM DEBT

General Obligation Refunding Bonds, Series 2012

In 2012, the City issued \$3,455,000 in General Obligation Refunding Bonds with interest rates ranging from 1.0% to 2.0%. The proceeds were used to advance refund \$3,370,000 of outstanding Certificates of Obligation, Series 2002 which had an interest rate at 3.07%. The net proceeds of \$3,425,000 (after payment of \$65,000 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. The refunding charge of \$55,000 is being amortized over the life of the bond and is reported as a deferred outflow of resources on the statement of net position.

Continued

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 7 – LONG-TERM DEBT – Continuation

Certificates of Obligation, Series 2014

In 2014, the City issued \$9,673,000 in Combination Tax and Revenue Certificates of Obligation, Series 2014 with an interest rate of 2.49%. The proceeds will be used for construction improvements to the water and sewer infrastructure. The certificates will be repaid from ad valorem tax levied and revenue from the utility fund. For fiscal year ended September 30, 2015, no additional ad valorem taxes have been levied; the utility fund revenues will be used to repay the bond.

Changes in long-term liabilities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Landfill closure costs	\$ 399,315	\$ 19,723	\$ -	\$ 419,038	\$ -
Compensated absences	58,242	174,056	(125,831)	106,467	10,647
Governmental activity long-term liabilities	<u>\$ 457,557</u>	<u>\$ 193,779</u>	<u>\$ (125,831)</u>	<u>\$ 525,505</u>	<u>\$ 10,647</u>
Business-type activities:					
Bonds Payable					
General Obligation Refunding					
Bonds, Series 2012	\$ 2,800,000	\$ -	\$ (330,000)	\$ 2,470,000	\$ 335,000
Certificates of Obligation, Series 2014	-	9,673,000	-	9,673,000	585,000
Compensated absences	6,477	40,092	(24,513)	22,056	2,206
Business-type activities long-term liabilities	<u>\$ 2,806,477</u>	<u>\$ 9,713,092</u>	<u>\$ (354,513)</u>	<u>\$ 12,165,056</u>	<u>\$ 922,206</u>

The debt service requirements for the City's bonds are as follows:

<u>Year Ending September 30</u>	<u>General Obligation Refunding Bonds, Series 2012</u>		<u>Certificates of Obligation, Series 2014</u>		<u>Total Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 335,000	\$ 35,356	\$ 585,000	\$ 233,575	\$ 920,000	\$ 268,931
2017	340,000	31,138	599,000	218,834	939,000	249,972
2018	345,000	26,856	615,000	203,719	960,000	230,575
2019	355,000	22,215	630,000	188,219	985,000	210,434
2020	360,000	16,850	646,000	172,333	1,006,000	189,183
2021-2025	735,000	14,385	662,000	156,048	1,397,000	170,433
2026+	-	-	5,936,000	610,473	5,936,000	610,473
Total	<u>\$ 2,470,000</u>	<u>\$ 146,800</u>	<u>\$ 9,673,000</u>	<u>\$ 1,783,201</u>	<u>\$ 12,143,000</u>	<u>\$ 1,930,001</u>

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 8 – EMPLOYEE RETIREMENT BENEFITS

A. AGENT MULTIPLE – EMPLOYER PLAN

Plan Description:

The City provides pension benefits for all of its full-time employees, other than firemen, through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations for of the contributions, benefits, and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at www.TMRS.com.

Benefits Provided:

The plan provisions are adopted by the governing body of the City (employer), within the options available in the Texas state statutes governing TMRS. Members can retire at ages 60 and above with 5 or more years of service (10 years in some cities) or with 20-25 years of service regardless of age (depending on the city's plan chosen). Members are vested after 5 years of service (10 years for some cities).

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the City within the actuarial constraints imposed by TMRS so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by TMRS.

Employees Covered by Benefit Terms:

At September 30, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	26
Inactive employees entitled to but not yet receiving benefits	64
Active employees	59

Continued

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 8 – EMPLOYEE RETIREMENT BENEFITS – Continuation

A. AGENT MULTIPLE – EMPLOYER PLAN – Continuation

Contributions:

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2014 valuation; previously, the Projected Unit Credit actuarial cost method had been used). This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e., the December 31, 2014 valuation will determine the contribution rate beginning January 1, 2016).

The City contributed using the actuarially determined rate of 4.58% for the months of the accounting year in 2014 and 3.98% for the months of the accounting year in 2015. The contribution rate payable by the employee members is 5.0% for fiscal year 2015 as adopted by the governing body of the City. The employee contribution rate and the employer contribution rate may be changed by the governing body of the City.

Net Pension Liability:

The City's net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.5% to 12.0% including inflation
Investment rate of return	7.00%
Cost-of-living adjustments	None

Mortality rates were based on the RP-2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Continued

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 8 – EMPLOYEE RETIREMENT BENEFITS – Continuation

A. AGENT MULTIPLE – EMPLOYER PLAN – Continuation

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The actuarial assumptions that determined the total pension liability as of December 31, 2014 were based on the results of an actuarial experience study for the period January 1, 2009 – December 31, 2012, except where required to be different by GASB 68.

Discount Rate:

The discount rate used to measure the total pension liability was 7.00%. The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternatives methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Our alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under TMRS.

Continued

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 8 – EMPLOYEE RETIREMENT BENEFITS – Continuation

A. AGENT MULTIPLE – EMPLOYER PLAN – Continuation

1. TMRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
2. Under TMRS, the employer is legally required to make the contribution specified in the funding policy.
3. The employer’s assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 7.00%.

Changes in the Net Pension Liability / (Asset):

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balances as of December 31, 2013	\$ 6,670,683	\$ 7,159,059	\$ (488,376)
Changes for the year:			
Service cost	182,792	-	182,792
Interest on total pension liability	462,911	-	462,911
Effect of economic/demographic gains or losses	40,531	-	40,531
Benefit payments	(298,123)	(298,123)	-
Administrative expenses	-	(4,276)	4,276
Member contributions	-	113,454	(113,454)
Net investment income	-	409,471	(409,471)
Employer contributions	-	99,158	(99,158)
Other	-	(352)	352
	<u>\$ 7,058,794</u>	<u>\$ 7,478,391</u>	<u>\$ (419,597)</u>
Balances as of December 31, 2014	<u>\$ 7,058,794</u>	<u>\$ 7,478,391</u>	<u>\$ (419,597)</u>

Continued

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 8 – EMPLOYEE RETIREMENT BENEFITS – Continuation

A. AGENT MULTIPLE – EMPLOYER PLAN – Continuation

Sensitivity of the Net Pension Liability / (Asset) to changes in the discount rate:

The following presents the net pension liability of the City, calculated using the discount rate of 7.00%, as well as what the City’s net pension liability / (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate.

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net pension liability / (asset)	\$ 457,335	\$ (419,597)	\$ (1,152,080)

Pension plan fiduciary net position:

Detailed information about the pension plan’s fiduciary net position is available in the separately issued TMRS financial report.

Pension Expense / (Income):

	January 1, 2014 to December 31, 2014
Service cost	\$ 182,792
Interest on total pension liability	462,911
Member contributions	(113,454)
Expected investment return net of investment expenses	(501,134)
Administrative expenses	4,276
Other	352
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	12,482
Recognition of investment gains or losses	18,333
Pension expense / (income)	\$ 66,558

Continued

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 8 – EMPLOYEE RETIREMENT BENEFITS – Continuation

A. AGENT MULTIPLE – EMPLOYER PLAN – Continuation

Deferred Inflows / Outflows of Resources:

As of September 30, 2015, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ -	\$ 28,049
Changes of assumptions	-	-
Net difference between projected and actual earnings	-	73,330
Contributions made subsequent to measurement date	N/A	77,124

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year ended December 31:	
2015	\$ 30,815
2016	30,815
2017	21,418
2018	18,331
2019	-
Thereafter	-
	-
 Total	 \$ 101,379

B. COST-SHARING MULTIPLE – EMPLOYER

Plan Description:

The Texas Emergency Services Retirement System (TESRS) administers a cost-sharing multiple employer pension system (the System) established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. Direct financial activity for the System is classified in the financial statements as pension trust funds. Of the nine member state board of trustees, at least five trustees must be active members of the pension system, one of whom must represent emergency medical services personnel. One trustee may be a retiree of the pension system, and three trustees must be persons who have experience in the fields of finance, securities investment, or pension administration. At August 31, 2014 there were 198 contributing fire and/or emergency service department members participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a participating department.

Continued

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 8 – EMPLOYEE RETIREMENT BENEFITS – Continuation

B. COST-SHARING MULTIPLE – EMPLOYER – Continuation

Benefits Provided:

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), recodified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually. There is no provision for automatic postretirement benefit increases.

On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount and continuing monthly payments to a member's surviving spouse and dependent children.

Funding Policy:

Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of the System, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is \$36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the System contribution that directly impacts future retiree annuities.

The state is required to contribute an amount necessary to make the System "actuarially sound" each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

The board rule defining contributions was amended effective July 27, 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the state are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted near the end of each even-numbered calendar year based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2014, the Part Two contribution rate was 0%, since the first actuarial valuation report after adoption of the rules showed in the System to have an adequate contribution arrangement without any Part Two contributions.

Additional contributions may be made by governing bodies within two years of joining the System, to grant up to ten years of credit for service per member. Prior service purchased must have occurred before the department began participation in the System.

Continued

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 8 – EMPLOYEE RETIREMENT BENEFITS – Continuation

B. COST-SHARING MULTIPLE – EMPLOYER – Continuation

A small subset of participating departments have a different contribution arrangement which is being phased out over time. In this arrangement, contributions made in addition to the monthly contributions for active members, are made by local governing bodies on a pay-as-you-go basis for members who were pensioners when their respective departments merged into the System. There is no actuarial impact associated with this arrangement as the pay-as-you-go contributions made by these governing bodies are always equal to the benefit payments paid by the System.

Contributions Required and Contributions Made:

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule, and there is no maximum contribution rate. For the fiscal year ending August 31, 2014, total contributions (dues and prior service, and interest on financing of prior service) of \$12,096 were paid into TESRS by the City.

The purpose of the biennial actuarial valuation is to determine if the contribution arrangement is adequate to pay the benefits that are promised. Actuarial assumptions are disclosed below.

The actuarial valuation as of August 31, 2014 stated that TESRS has an adequate contribution arrangement for the benefit provisions recognized in the valuation based on the expected total contributions, including the expected contributions both from the governing body of each participating department and from the state. The expected contributions from the state are state appropriations equal to (1) the maximum annual contribution (one-third of all contributions to TESRS by governing bodies of participating departments in a year) as needed in accordance with state law governing TESRS and (2) approximately \$625,000 each year to pay for part of the System’s administrative expenses.

Net Pension Liability:

The City’s net pension liability was measured as of August 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2014.

Total Pension Liability	\$ 293,312
Fiduciary Net Position	<u>244,794</u>
City's Net Pension Liability	<u>\$ 48,518</u>
Fiduciary net position as a percentage of the total pension liability	83.5%

Actuarial Assumptions

The total pension liability in the August 31, 2014 actuarial valuation was determined using an inflation rate of 3.50% and an investment rate of return rate of 7.75%, net of pension plan investment expense, including inflation.

Mortality rates were based on the RP-2000 Combined Healthy Lives Mortality Tables for males and for females projected to 2018 by scale AA.

Continued

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 8 – EMPLOYEE RETIREMENT BENEFITS – Continuation

B. COST-SHARING MULTIPLE – EMPLOYER – Continuation

The long-term rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3.50%). In addition, the final 7.75% assumption reflected a reduction of 0.20% for adverse deviation. The target allocation and expected arithmetic real rates of return for each major asset class varies.

Asset Class	Target Allocation	Long-Term Expected Net Real Rate of Return
Equities		
Large cap domestic	32%	5.2%
Small cap domestic	10%	5.8%
Developed international	21%	5.5%
Emerging markets	6%	5.4%
Master limited partnerships	5%	7.1%
Fixed income		
Domestic	21%	1.4%
International	5%	1.6%
Cash	0%	0.0%
Total	100%	

Discount Rate:

The discount rate used to measure the total pension liability was 7.75%. No projection of cash flows was used to determine the discount rate because the August 31, 2014 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial liability (UAAL) in 30 years using the conservative level dollar amortization method. That UAAL was based on an actuarial value of assets that was \$7.9 million less than the plan fiduciary net position as of August 31, 2014. Because of the 30-year amortization period with the conservative amortization method and with a lower value of assets, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Continued

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 8 – EMPLOYEE RETIREMENT BENEFITS – Continuation

B. COST-SHARING MULTIPLE – EMPLOYER – Continuation

Sensitivity of the Net Pension Liability to changes in the discount rate:

The following presents the net pension liability of the City, calculated using the discount rate of 7.75%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.75%) or 1 percentage point higher (8.75%) than the current rate:

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
Net pension liability	\$ 99,981	\$ 48,518	\$ 18,492

Pension Expense:

	Year Ended August 31, 2014
Service cost	\$ 4,880
Interest	21,497
Projected earnings on investments	(16,511)
Recognition of deferred inflows/outflows of resources	
Recognition of investment gains or losses	(3,057)
Administrative expenses	442
Pension expense / (income)	\$ 7,251

Deferred Inflows / Outflows of Resources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Net difference between projected and actual earnings	\$ 9,170	\$ -
Contributions made subsequent to measurement date	N/A	18,444

Continued

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 8 – EMPLOYEE RETIREMENT BENEFITS – Continuation

B. COST-SHARING MULTIPLE – EMPLOYER – Continuation

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year ended August 31:		
2015	\$	3,057
2016		3,057
2017		3,056
2018		-
2019		-
Thereafter		-
		<hr/>
Total	\$	<u>9,170</u>

All assumptions for the August 31, 2014 pension disclosure are contained in the August 31, 2014 Audited Annual Financial Report, a copy of which may be obtained at www.tesrs.texas.gov.

NOTE 9 – RISK OF LOSS

The City is exposed to risks of loss from destruction of City property and from general liability incurred as a part of performing the City's normal operations. The City is protected from these risks through insurance through the Texas Municipal Intergovernmental Risk Pool. The City's loss exposure is limited to deductibles of \$1,000 to \$5,000 within specified aggregate limits. All claims exceeding the specified deductibles are the responsibility of Texas Municipal Intergovernmental Risk Pool and not the City. There have been no reductions in insurance coverage from coverage in the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The City's employees are covered under the Texas Municipal Intergovernmental Risk Pool. The City has no liability under the plan over and above normal premium contributions.

Health insurance is provided for City employees under a traditional plan through the Texas Municipal League. Any portion of health insurance premiums for employee's spouses or dependents are paid for by the employee.

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 10 – ACCOUNTING FOR MUNICIPAL SOLID WASTE LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS

State and federal laws and regulations require that most cities place a final cover on their landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure as required under subtitle D.

The Texas Natural Resource Conservation Commission and the EPA granted an Arid Exemption to qualifying landfills that extended the deadline for compliance with subtitle D until October 9, 1997. Arid exempt landfills were encouraged to cease operations prior to the October 9, 1997 deadline, therefore avoiding the costly requirements of subtitle D relating to the 30 year post-closure monitoring and maintenance. The City of Dalhart is a qualified Arid exempt landfill and by September 30, 1997, had designated the portion of their landfill used to that date closed and placed the final cover over that area. The City believes that the closed area of their landfill is not subject to the subtitle D post-closure requirements. The remaining capacity of the City's landfill is estimated at 1,263,509 cubic yards. This remaining capacity will continue to be operated by the City as a Municipal Solid Waste Landfill and will subject to the subtitle D requirements and should have a life of approximately 50 years. In addition to operating expenditures related to current activities of the landfill, a related liability is being recognized based on estimated future closure and post-closure care costs that will be incurred near or after the date that the landfill no longer accepts solid waste. The estimated total current cost of the landfill closure and post-closure care of \$1,195,235 is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of September 30, 2015. The estimated liability for closure and post-closure cost accrued on the City's books for the year ended September 30, 2015 was \$419,038, which is based on accumulated usage of the 76.86 acre landfill area. It is estimated that an additional \$776,197 will be recognized as closure and post-closure costs between the balance sheet date and the date that the landfill is filled to capacity. However, the actual cost of closure and post-closure care is subject to change due to inflation, change in technology, or changes in landfill laws and regulations. As of September 30, 2015, the City has used approximately 35.06% of the available landfill capacity.

The City of Dalhart demonstrates financial assurance for closure and postclosure care cost associated with the landfill by using the financial test specified in Subchapter K of 31 Texas Administrative Code 330,285(g). The City believes that it meets all of the objectives of the financial test, and that no further action will be necessary to prove financial assurance.

NOTE 11 – CONDUIT DEBT OBLIGATIONS

During prior years, the City issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of September 30, 2015, there was one series of Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$2,100,000.

**CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 12 – DEFFERRED COMPENSATION PLAN

The City offers its employees an option to participate in a Deferred Compensation Program (Plan) created in accordance with Internal Revenue Code (IRC Section 457). Previously, IRC Section 457 had required that all amounts deferred by the Plan’s participants remain solely the property and rights of the sponsoring municipality, subject only to the claims of the municipality’s general creditors. As such, the assets of the Plan were reflected at market value within an agency fund.

IRC Section 457 was amended in 1996. The amendments require that in order to be considered an eligible plan, all assets and income of the Plan must be held in trust for the exclusive benefit of the participants and their beneficiaries. To comply with this requirement, the Plan entered into a trust and custody agreement with a third party to provide custodial services with respect to the assets of the Plan. Pursuant to GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, the assets of the Plan are no longer required to be reflected within an agency fund of the participating municipality. Accordingly, these assets are not reflected in the financial statements.

NOTE 13 – PRIOR PERIOD ADJUSTMENT

The beginning net position on the Statement of Revenues, Expenses and Changes in Net Position was changed due to the adoption of GASB Statements 67 and 68 and the resulting requirement to report the net pension asset or liability and the deferred outflow of resources due to employer contributions. The following schedule summarizes the prior period adjustment:

	Governmental Activities	Business-Type Activities
Net pension asset as determined at the 12/31/13 measurement date (TMRS)	\$ 390,701	\$ 97,675
Deferred outflow of resources for employer contributions paid after the 12/31/13 measurement date and before the 9/30/14 fiscal year end date	63,122	15,781
Net pension liability as determined at the 8/31/13 measurement date (TESRS)	(50,438)	-
Prior period adjustment	\$ 403,385	\$ 113,456

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

CITY OF DALHART, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - TMRS
Last 10 Fiscal Years

	Year Ended December 31,			
	2014	2013	2012	2011
Total Pension Liability:				
Service cost	\$ 182,792	\$ N/A	\$ N/A	\$ N/A
Interest on total pension liability	462,911	N/A	N/A	N/A
Effect of plan changes	-	N/A	N/A	N/A
Effect of assumption changes or inputs	-	N/A	N/A	N/A
Effect of economic/demographic (gains) or losses	40,531	N/A	N/A	N/A
Benefit payments/refunds of contributions	<u>(298,123)</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Net change in total pension liability	388,111	N/A	N/A	N/A
Total pension liability, beginning	<u>6,670,683</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total pension liability, ending (a)	<u><u>\$ 7,058,794</u></u>	<u><u>\$ N/A</u></u>	<u><u>\$ N/A</u></u>	<u><u>\$ N/A</u></u>
Fiduciary Net Position:				
Employer contributions	\$ 99,158	\$ N/A	\$ N/A	\$ N/A
Member contributions	113,454	N/A	N/A	N/A
Investment income net of investment expenses	409,471	N/A	N/A	N/A
Benefit payments/refunds of contributions	(298,123)	N/A	N/A	N/A
Administrative expenses	(4,276)	N/A	N/A	N/A
Other	<u>(352)</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Net change in fiduciary net position	319,332	N/A	N/A	N/A
Fiduciary net position, beginning	<u>7,159,059</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Fiduciary net position, ending (b)	<u><u>\$ 7,478,391</u></u>	<u><u>\$ N/A</u></u>	<u><u>\$ N/A</u></u>	<u><u>\$ N/A</u></u>
Net pension liability / (asset), ending = (a) - (b)	<u><u>\$ (419,597)</u></u>	<u><u>\$ N/A</u></u>	<u><u>\$ N/A</u></u>	<u><u>\$ N/A</u></u>
Fiduciary net position as a % of total pension liability	105.94%	N/A	N/A	N/A
Pensionable covered payroll	\$ 2,269,071	\$ N/A	\$ N/A	\$ N/A
Net pension liability as a % of covered payroll	-18.49%	N/A	N/A	N/A

Note: GASB 68 requires 10 fiscal years of data to be provided in this schedule. GRS will provide the current year results. The employer will be required to build this schedule over the next 10-year period.

Year Ended December 31,

2010	2009	2008	2007	2006	2005
\$ N/A					
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
<u>\$ N/A</u>					
\$ N/A					
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
<u>\$ N/A</u>					
<u>\$ N/A</u>					
N/A	N/A	N/A	N/A	N/A	N/A
\$ N/A					
N/A	N/A	N/A	N/A	N/A	N/A



CITY OF DALHART, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS - TMRS
Last 10 Fiscal Years

Year Ending December 31:	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2005	Not Available	Not Available	Not Available	Not Available	Not Available
2006	Not Available	Not Available	Not Available	Not Available	Not Available
2007	Not Available	Not Available	Not Available	Not Available	Not Available
2008	Not Available	Not Available	Not Available	Not Available	Not Available
2009	Not Available	Not Available	Not Available	Not Available	Not Available
2010	Not Available	Not Available	Not Available	Not Available	Not Available
2011	Not Available	Not Available	Not Available	Not Available	Not Available
2012	Not Available	Not Available	Not Available	Not Available	Not Available
2013	Not Available	Not Available	Not Available	Not Available	Not Available
2014	\$ 99,158	\$ 99,158	\$ -	\$ 2,269,071	\$ 4.4%

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3%
Salary increases	3.50% to 12.00% including inflation
Investment rate of return	7.00%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 - 2009.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information:

Notes There were no benefit changes during the year.

CITY OF DALHART, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - TESRS
Last 10 Fiscal Years

	Year Ended August 31,			
	2014	2013	2012	2011
Total Pension Liability:				
Service cost	\$ 4,880	\$ N/A	\$ N/A	\$ N/A
Interest	21,497	N/A	N/A	N/A
Changes in benefit terms	-	N/A	N/A	N/A
Differences between expected and actual	-	N/A	N/A	N/A
Assumption changes	-	N/A	N/A	N/A
Benefit payments	(11,130)	N/A	N/A	N/A
Net change in total pension liability	15,247	N/A	N/A	N/A
Total pension liability, beginning	278,065	N/A	N/A	N/A
Total pension liability, ending (a)	<u>\$ 293,312</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Fiduciary Net Position:				
Employer contributions	\$ 11,153	\$ N/A	\$ N/A	\$ N/A
State contributions	4,086	N/A	N/A	N/A
Net investment income	31,795	N/A	N/A	N/A
Benefit payments	(11,130)	N/A	N/A	N/A
Administrative expenses	(442)	N/A	N/A	N/A
Other	-	N/A	N/A	N/A
Net change in fiduciary net position	35,462	N/A	N/A	N/A
Fiduciary net position, beginning	209,332	N/A	N/A	N/A
Fiduciary net position, ending (b)	<u>\$ 244,794</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ 48,518</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Fiduciary net position as a % of total pension liability	83.5%	N/A	N/A	N/A
Number of active members	30	N/A	N/A	N/A
Net pension liability per active member	\$ 1,617	\$ N/A	\$ N/A	\$ N/A

CITY OF DALHART, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS - TESRS
Last 10 Fiscal Years

Year Ending August 31:	Annual Money- Weighted Net Real Rate of Return
2005	Not Available
2006	Not Available
2007	Not Available
2008	Not Available
2009	Not Available
2010	Not Available
2011	Not Available
2012	Not Available
2013	13.84%
2014	14.92%

Notes to Schedule:

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

The money-weighted rate of return expresses investment performance, net of investment expenses, reflecting the changing amounts actually invested during the year.

**COMBINING STATEMENTS INDIVIDUAL FUND FINANCIAL STATEMENTS AND BUDGET
COMPARISONS AS SUPPLEMENTARY INFORMATION**

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standard Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Hotel/Motel Occupancy Tax Fund – To account for and report revenues derived from a 5% levied on gross hotel/motel receipts. Under City policy, such funds are used for the purposes of advertising and promoting tourist travel conventions to the City of Dalhart.

Community Development Fund – To account for and report revenues derived from a voluntary \$1.00 Community Development fee per water customer. Under City policy, such funds are used for the purpose of promoting community activities and assisting with community projects.

Rita Blanca Park Fund – To account for and report operations of the Rita Blanca Lake area. This area was contributed to the City by Hartley and Dallam Counties.

Drug Seizure Fund – To account for assest confiscated in drug related cases. The assets are to be used for law enforcement purposes such as equipment and training.

Municipal Court Technology Fund – To account for and report revenues from technology fees collected by the court from defendents convicted of a misdemeanor offense. The revenues may be used only to finance the purchase of technology enhancements for a municipal court.

City Economic Development Fund – To account for and report financial activity used for the purpose of promotion and development of economic enterprises in and around the City of Dalhart.

PERMANENT FUND

Cemetery Fund – This fund is used to account for and report principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the community cemetery.

**CITY OF DALHART, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015**

	Special Revenue Funds							Permanent Fund	Total
	Hotel/Motel Occupancy Tax	Community Development	Rita Blanca Park	Drug Seizure	PD State Training Funds	Municipal Court Tech	City Economic Development	Cemetery Care	
ASSETS									
Cash and cash equivalents	\$ 81,212	\$ 94,864	\$ 116,351	\$ 982	\$ 791	\$ 13,720	\$ 12,540	\$ 205,181	\$ 525,641
Investments	-	-	-	-	-	-	-	300,000	300,000
Receivables	55,093	4,267	-	-	-	-	-	795	60,155
Total assets	\$ 136,305	\$ 99,131	\$ 116,351	\$ 982	\$ 791	\$ 13,720	\$ 12,540	\$ 505,976	\$ 885,796
LIABILITIES									
Accounts payable	\$ 64,614	\$ 7,025	\$ 5,623	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 77,262
Due to other funds	-	-	5,427	-	-	-	-	-	5,427
Deposits	-	-	7,139	-	-	-	-	-	7,139
Accrued payroll	-	-	2,784	-	-	-	-	-	2,784
Total liabilities	64,614	7,025	20,973	-	-	-	-	-	92,612
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenue-receivables	71,691	4,158	-	-	-	-	-	-	75,849
FUND BALANCES									
Nonspendable	-	-	-	-	-	-	-	265,657	265,657
Restricted:									
By enabling legislation	-	-	-	982	791	13,720	-	-	15,493
Special projects	-	-	-	-	-	-	-	240,319	240,319
Assigned	-	87,948	95,378	-	-	-	12,540	-	195,866
Total fund balances	-	87,948	95,378	982	791	13,720	12,540	505,976	717,335
Total liabilities, deferred inflows of resources, and fund balances	\$ 136,305	\$ 99,131	\$ 116,351	\$ 982	\$ 791	\$ 13,720	\$ 12,540	\$ 505,976	\$ 885,796

CITY OF DALHART, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Special Revenue Funds							Permanent Fund	Total
	Hotel/Motel Occupancy Tax	Community Development	Rita Blanca Park	Drug Seizure	PD State Training Funds	Municipal Court Tech	City Economic Development	Cemetery Care	
REVENUES									
Taxes	\$ 403,073	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 403,073
Licenses and permits	-	-	90,173	-	-	3,850	-	-	94,023
Intergovernmental	-	-	110,000	-	1,999	-	-	-	111,999
Investment earnings	43	61	142	-	-	-	43	3,739	4,028
Miscellaneous	-	40,117	85	-	-	-	-	19,925	60,127
Total revenues	403,116	40,178	200,400	-	1,999	3,850	43	23,664	673,250
EXPENDITURES									
Current:									
Public safety:									
Police	-	-	-	-	1,208	-	-	-	1,208
Culture and recreation:									
Parks and cemetery	-	-	276,508	-	-	-	-	99	276,607
Promotion and tourism	422,071	27,510	-	-	-	-	-	-	449,581
Capital outlay:									
Parks and cemetery	-	-	23,023	-	-	-	-	-	23,023
Total expenditures	422,071	27,510	299,531	-	1,208	-	-	99	750,419
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(18,955)	12,668	(99,131)	-	791	3,850	43	23,565	(77,169)
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	35,000	-	-	-	-	-	35,000
Transfers out	-	-	-	-	-	-	-	(19,892)	(19,892)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	35,000	-	-	-	-	(19,892)	15,108
NET CHANGE IN FUND BALANCES	(18,955)	12,668	(64,131)	-	791	3,850	43	3,673	(62,061)
FUND BALANCES - BEGINNING	18,955	75,280	159,509	982	-	9,870	12,497	502,303	779,396
FUND BALANCES - ENDING	\$ -	\$ 87,948	\$ 95,378	\$ 982	\$ 791	\$ 13,720	\$ 12,540	\$ 505,976	\$ 717,335

**CITY OF DALHART, TEXAS
HOTEL/MOTEL OCCUPANCY TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Hotel/Motel occupancy tax	\$ 315,000	\$ 315,000	\$ 403,073	\$ 88,073
Investment earnings	100	100	43	(57)
Total revenues	<u>315,100</u>	<u>315,100</u>	<u>403,116</u>	<u>88,016</u>
EXPENDITURES				
Current:				
Culture and recreation:				
Promotion and tourism	<u>315,000</u>	<u>315,000</u>	<u>422,071</u>	<u>(107,071)</u>
Total expenditures	<u>315,000</u>	<u>315,000</u>	<u>422,071</u>	<u>(107,071)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	100	100	(18,955)	(19,055)
FUND BALANCE - BEGINNING	<u>18,955</u>	<u>18,955</u>	<u>18,955</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 19,055</u>	<u>\$ 19,055</u>	<u>\$ -</u>	<u>\$ (19,055)</u>

**CITY OF DALHART, TEXAS
COMMUNITY DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment earnings	\$ 75	\$ 75	\$ 61	\$ (14)
Miscellaneous:				
Contributions	<u>37,000</u>	<u>37,000</u>	<u>40,117</u>	<u>3,117</u>
Total revenues	<u>37,075</u>	<u>37,075</u>	<u>40,178</u>	<u>3,103</u>
EXPENDITURES				
Current:				
Culture and recreation:				
Promotion and tourism	<u>37,000</u>	<u>37,000</u>	<u>27,510</u>	<u>9,490</u>
Total expenditures	<u>37,000</u>	<u>37,000</u>	<u>27,510</u>	<u>9,490</u>
EXCESS OF REVENUES OVER EXPENDITURES	75	75	12,668	12,593
FUND BALANCE - BEGINNING	<u>75,280</u>	<u>75,280</u>	<u>75,280</u>	<u>-</u>
FUND BALANCE - ENDING	<u><u>\$ 75,355</u></u>	<u><u>\$ 75,355</u></u>	<u><u>\$ 87,948</u></u>	<u><u>\$ 12,593</u></u>

**CITY OF DALHART, TEXAS
RITA BLANCA PARK FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Licenses and permits	\$ 66,400	\$ 66,400	\$ 90,173	\$ 23,773
Intergovernmental	105,000	105,000	110,000	5,000
Investment earnings	250	250	142	(108)
Miscellaneous	-	-	85	85
	<u>171,650</u>	<u>171,650</u>	<u>200,400</u>	<u>28,750</u>
Total revenues				
EXPENDITURES				
Current:				
Culture and recreation:				
Parks and cemetery	199,960	199,960	276,508	(76,548)
Capital outlay	43,000	43,000	23,023	19,977
	<u>242,960</u>	<u>242,960</u>	<u>299,531</u>	<u>(56,571)</u>
Total expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(71,310)</u>	<u>(71,310)</u>	<u>(99,131)</u>	<u>(27,821)</u>
OTHER FINANCING SOURCES				
Transfers, operating	71,310	71,310	35,000	(36,310)
	<u>71,310</u>	<u>71,310</u>	<u>35,000</u>	<u>(36,310)</u>
Total other financing sources				
NET CHANGE IN FUND BALANCE	-	-	(64,131)	(64,131)
FUND BALANCE - BEGINNING	<u>159,509</u>	<u>159,509</u>	<u>159,509</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 159,509</u>	<u>\$ 159,509</u>	<u>\$ 95,378</u>	<u>\$ (64,131)</u>

CITY OF DALHART, TEXAS
CITY ECONOMIC DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment earnings	\$ 75	\$ 75	\$ 43	\$ (32)
Total revenues	<u>75</u>	<u>75</u>	<u>43</u>	<u>(32)</u>
EXPENDITURES				
Current:				
General government	<u>12,500</u>	<u>12,500</u>	<u>-</u>	<u>12,500</u>
Total expenditures	<u>12,500</u>	<u>12,500</u>	<u>-</u>	<u>12,500</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(12,425)	(12,425)	43	12,468
FUND BALANCE - BEGINNING	<u>12,497</u>	<u>12,497</u>	<u>12,497</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 72</u>	<u>\$ 72</u>	<u>\$ 12,540</u>	<u>\$ 12,468</u>

**CITY OF DALHART, TEXAS
CEMETERY CARE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment earnings:				
Interest earnings	\$ 3,200	\$ 3,200	\$ 4,770	\$ 1,570
Net decrease in the fair value of investments	-	-	(1,031)	(1,031)
Total investment earnings	<u>3,200</u>	<u>3,200</u>	<u>3,739</u>	<u>539</u>
Miscellaneous:				
Sales of lots	10,000	10,000	12,180	2,180
Contributions	2,500	2,500	1,633	(867)
Grass lease	6,100	6,100	6,112	12
Total miscellaneous	<u>18,600</u>	<u>18,600</u>	<u>19,925</u>	<u>1,325</u>
Total revenues	<u>21,800</u>	<u>21,800</u>	<u>23,664</u>	<u>1,864</u>
EXPENDITURES				
Current:				
Culture and recreation:				
Parks and cemetery	100	100	99	1
Total expenditures	<u>100</u>	<u>100</u>	<u>99</u>	<u>1</u>
EXCESS OF REVENUES OVER EXPENDITURES	21,700	21,700	23,565	1,865
OTHER FINANCING SOURCES (USES)				
Transfers out	(21,700)	(21,700)	(19,892)	1,808
NET CHANGE IN FUND BALANCE	-	-	3,673	3,673
FUND BALANCE - BEGINNING	<u>502,303</u>	<u>502,303</u>	<u>502,303</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 502,303</u>	<u>\$ 502,303</u>	<u>\$ 505,976</u>	<u>\$ 3,673</u>

FIDUCIARY FUNDS

PRIVATE-PURPOSE TRUST FUNDS

Cleo Jenkins Scholarship Fund

To account for a bequest of funds and for additional contributions to provide scholarships for higher education for young people in Dallam and Hartley Counties, Texas.

Bonnie Dejarnett Scholarship Fund

To account for a bequest of funds and for additional contributions to provide scholarships for higher education for young people in Dallam and Hartley Counties, Texas.

CITY OF DALHART, TEXAS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2015

	<u>Private Purpose Trust</u>		<u>Total</u>
	<u>Cleo Jenkins Scholarship Fund</u>	<u>Bonnie Dejarnett Scholarship Fund</u>	
ASSETS			
Cash and cash equivalents	\$ 223,429	\$ 372,595	\$ 596,024
Investments:			
U.S. Government securities	148,763	-	148,763
Certificates of deposit	1,050,000	550,000	1,600,000
Accrued interest	2,928	1,434	4,362
	<u>1,425,120</u>	<u>924,029</u>	<u>2,349,149</u>
Total assets			
	<u>1,425,120</u>	<u>924,029</u>	<u>2,349,149</u>
NET POSITION			
Net position held in trust for scholarship benefits	<u>\$ 1,425,120</u>	<u>\$ 924,029</u>	<u>\$ 2,349,149</u>

CITY OF DALHART, TEXAS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Private Purpose Trust		Total
	Cleo Jenkins Scholarship Fund	Bonnie Dejarnett Scholarship Fund	
ADDITIONS			
Investment earnings:			
Interest	\$ 13,129	\$ 5,384	\$ 18,513
Net decrease in the fair value of investments	(1,064)	(760)	(1,824)
Total investment earnings	12,065	4,624	16,689
Miscellaneous:			
Contributions	566	-	566
Total additions	12,631	4,624	17,255
DEDUCTIONS			
Scholarship grants	42,000	3,000	45,000
Bank charges	145	53	198
Total deductions	42,145	3,053	45,198
CHANGE IN NET POSITION	(29,514)	1,571	(27,943)
NET POSITION - BEGINNING	1,454,634	922,458	2,377,092
NET POSITION - ENDING	\$ 1,425,120	\$ 924,029	\$ 2,349,149

COMPLIANCE AND INTERNAL CONTROL SECTION

To The Honorable Mayor and City Council
of the City of Dalhart, Texas
Dalhart, Texas

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Dalhart, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Dalhart, Texas' basic financial statements, and have issued our report thereon dated January 9, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Dalhart, Texas' internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Dalhart, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Dalhart, Texas' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Dalhart, Texas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Dalhart, Texas' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Dalhart, Texas' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DOSHIER, PICKENS & FRANCIS, L.L.C.

DOSHIER, PICKENS & FRANCIS, LLC

January 9, 2016